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STRESS-FREE RETIREMENT

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OF *TAX-FREE RETIREMENT* & *THE RETIREMENT MIRACLE*

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Chapter 1

The Poker Chip Mentality

The first time I ever set foot into a casino was in the Bahamas. I was 18 years old and on a post-high-school-graduation trip that was given to me as a gift. I was in awe.

Since I'd never been in a casino before, I remember being completely enamored as I watched all of the sunburned tourists throw their money away on the green felt. I stood. I wandered. I didn't want to leave.

As I made my way through the smoke-filled room, my eye was drawn to a young man, likely in his early 30s, playing Blackjack one-on-one with a dealer. He was sitting next to an attractive blonde sporting diamonds the size of golf balls. Now Blackjack was a game I did happen to know. So I stopped. What caught my eye next was the unique color of chips that towered in front of the man. Chips a color I hadn't seen sitting in front of any other player. I was curious, so I stepped closer and thought my eyes were playing a trick on me.

These were not $25 chips or $100 chips – they were $1,000 chips! Seriously!? $1,000 chips!? I did some quick counting and figured this guy had about $50,000 worth of chips sitting in front of him. Fifty-thousand dollars! I was hooked.

As I watched intently, a few things became quickly apparent. One, this guy knew his stuff at a Blackjack table. Two, he devoured the attention from the growing crowd. And three, this was all about trying to impress the gal sitting next to him.

So let me tell you what happened next.

In the course of five short minutes, not a minute more, this young man built his chip stack from $50,000 to over $150,000. I was in shock. I couldn't believe it. *A hundred-thousand-dollar gain! In five minutes!*

I wanted him to stand up. Walk away. Cash it in. Call it good. Collect his winnings and go buy himself a bright red Ferrari. But needless to say, he *didn't* stand up. He *didn't* cash it in. He *didn't* walk away. And what he did next left me completely flabbergasted.

You know what's coming, don't you?

He started losing. And losing big. While in the previous five minutes he couldn't *lose* a hand, now he couldn't *win* one. And his bets became bigger and bigger and BIGGER. And in the next three minutes he … lost … it … all.

Wow! One hundred and fifty thousand dollars blown in three minutes. Crazy. My 18-year-old brain couldn't comprehend such a thing was even possible. It seemed to me, at the time, that such activity should be illegal. Outlawed. (I guess that's why it *is* illegal in most parts of the world.)

I saw at that moment that casinos have a trick. That the game is rigged. Not just statistically rigged, but emotionally rigged as well. That's their *real* advantage. You see, a casino plays by odds – cold,

hard, emotionless rules. Rules that stack the game in their favor. The gambler, however, plays by emotion – greedy, optimistic emotion. And in the long run, odds eat emotion for lunch – every time.

Let me ask you a question. Why do you think casinos invented poker chips? Was it because real money got lost on the green felt? Of course not. It's because poker chips aren't real currency. They don't pay the mortgage or the light bill. They don't put food on the table or tackle the kids' tuition. And if they're not real, then it doesn't feel like losing real money. That's their secret. If you keep a measured distance between people and their money, you can quietly take it away from them – all of it.

Here's what I wonder. What if there *had* been an actual Ferrari or a three-bedroom house sitting in front of that young man instead of just a pile of chips? Would he have wagered them on the turn of a few random cards? Maybe, but not very likely. Why? Because a car is real. A house is real. You can touch it, see it, and smell it.

The casino knows that if it can distance a player from his money, he is likely to gamble more, risk more, and lose more, because he perceives he is not losing real money but just some cheap, plastic chips.

But here's the frustrating part of all this. Casinos are not the only ones playing this game. As a matter of fact, they're not even the biggest culprits. There is an establishment much more dangerous. It's called the stock market. The stock market is playing the same game as the casino, but on a much larger scale. Let me explain what I mean when I say it is more dangerous. One difference between a casino and the stock market is that a casino is required by law (at least in the state of Nevada) to give you the exact odds of every game in its establishment. The stock market is not.

Did you know that about casinos? Most people don't. Try this.

Walk up to a cashier in a Nevada casino and ask him for an "odds sheet." He's required to give you one. At least it's a losing game *with full disclosure*.

Now, try asking your stockbroker that same question. Ask him or her for an "odds sheet" on your investment portfolio. Yeah … good luck. There is absolutely no such thing. Why? *Because no one knows the odds of the market*. No one! Your stockbroker doesn't know. His analysts don't know. No one knows. It's simply a gamble. A roll of the dice. A bet. And sometimes you win. And sometimes you lose.

The problem with the stock market, just like the Blackjack table, is that investors are spurred on by the same three characteristics as the gambler – emotion, greed, and optimism – which usually combine to make for really poor financial decisions.

And just like the young man who lost all his chips in a few short minutes, over the years, many "investors" have found their brokerage accounts wiped out by margin calls and market losses, simply because they were betting bigger and bigger on a position they were certain couldn't lose.

The only problem is, it can lose and it *does* lose. And only when the pain becomes severe enough, and optimism turns to abject terror, does the stock investor sell everything and flee the market, although usually only *after* crippling losses. I saw this very thing happen in 2001 with the bursting of the tech bubble, as told in chapter one of my first book, *Tax-Free Retirement*. (Unfortunately, I actually *participated* in 2001. That's why I know these feelings and this cycle so well.) And then I watched the very same thing unfold again, seven short years later, during the credit crisis of 2008, but this time with greater panic and steeper losses.

But the similarity between the casino and the stock market goes

even deeper. Stockbrokers have learned the significance of the poker-chip mentality. They've developed their own variation called a "*paper*" loss. Rarely, if ever, do you hear a stockbroker call it what it really is. A loss. Plain and simple. They mask it like a little plastic chip. If you've ever worked with a stockbroker, you probably know exactly what I mean. When was the last time you heard one say, "I'm sorry Mr. Smith, this month you lost the equivalent of a four-bedroom house in your portfolio."

What!? He hasn't told you that!?

Of course he hasn't; because as soon as a "paper" loss became a tangible, real, or measureable loss, people would flee the market like rats off the proverbial sinking ship. As a matter of fact, stockbrokers even have the audacity to verbalize this very thing by saying, "Don't worry about it Mr. Smith. You don't have a '*real*' loss. It's just a paper loss. You won't experience an actual loss unless you sell your position."

C'mon. Really? The last time I checked, a "paper" loss *was* a "real" loss. A real loss that just hasn't been experienced yet. And why do stockbrokers call it this? Because as long as it's just a "paper loss," it's just a poker chip. Distant. Plastic. Artificial.

But these paper losses have brought down more economies, put more people out of business, and put more retirements on hold than all the casinos in the world could ever imagine. They're lethal, and they're real.

But there *is* an answer to this madness. As a matter of fact, this book was written for that very purpose – to show you that there ***is*** a way to stack the odds in your favor and to never take a market loss again.

Think about that. Imagine a Blackjack table where the worst you could do was "push" with the dealer. Break even. Better yet, what

if there was a way to keep a percentage of every winning hand yet never give back a penny on your losing hands? How popular would *that* table be? It would have a line of players that stretched from Vegas to the Pacific Ocean. The only problem is that the line would never get shorter because those sitting at the table would never leave. Why would they? Because people sitting at *that* table would no longer be "gambling" – they would simply be "winning." They would either be making a little money or breaking even on every hand.

Think about that. How would you like to play a game that guaranteed you'd make money on every winning hand and break even on every losing hand? Now that's a game I want to play.

Well … here's the good news. You *can*. But it's not a game. You *can* participate in a strategy that will offer you growth in the winning years while guaranteeing your account will *never* take a market loss in the bad years. I know that seems too good to be true. But, fortunately, it's not. It's real. It's possible. And I'm going to explain to you exactly how this strategy works, and more importantly, how you can set yourself up to participate.

However, before we get to the details of exactly how you can accomplish this, I'd like to share a few stories. So sit back. Relax. Pour yourself a nice cup of coffee – and enjoy.

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